
TOO GOOD TO BE TRUE....

A Column on Consumer Issues

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TAX SCAMS

Last week we reviewed some IRS tax scams. This week we will complete the review.

Pay the Tax, Then Get the Prize. The caller says you've won a prize, and all you have to do to get it is to pay the income tax due. Don't believe it. Someone who really wins a prize may need to make an estimated tax payment to cover the taxes that will be due at the end of the year. But the payment goes to the IRS – not the caller. Whether the prize is cash, a car or a trip, a legitimate prize giver generally sends both the winner and the IRS a Form 1099 showing the total prize value that should be reported on the winner's tax return.

Frivolous Arguments. Frivolous arguments are false arguments that are unsupported by law. When a scheme promoter says "I don't pay taxes – why should you" or urges you to "untax yourself for \$49.95," beware. These scams are as old as snake oil, but people continue to be taken in. And now they're on the Internet. The ads may say that paying taxes is "voluntary," but that's just plain wrong. The U.S. courts have continuously rejected this and other frivolous arguments. Unfortunately, hundreds of people across the country have paid for the "secret" of not paying taxes or have bought "untax packages." Then they find out that following the advice contained in them can result in civil and/or criminal penalties. Numerous sellers of the bogus schemes have been convicted on criminal tax charges.

Social Security Tax Refund Scheme. Taxpayers shouldn't fall victim to a scam offering refunds of the social security taxes they have paid during their lifetimes. The scam works by the victim paying a "paperwork" fee of \$100, plus a percentage of any refund received, to file a refund claim with the IRS. This hoax fleeces the victims for the up-front fee. The law does not allow such a refund of social security taxes paid. The IRS processing centers are alert to this hoax and have been stopping the false claims.

"I Can Get You a Big Refund ...for a Fee!" Refund scheme operators may approach someone wanting to "borrow" their social security number or give him or her a phony W-2 so it appears that the person qualifies for a big refund. They may promise to split the refund with that person, but the IRS catches most of these false refund claims before they go out. And when one does go out, the participant usually ends up paying back the refund along with stiff penalties and interest. Two lessons to remember: 1) anyone who promises someone a bigger refund without knowing their tax situation could be misleading them, and 2) never sign a tax return without looking it over to make sure it's honest and correct.

Share/Borrow EITC Dependents. Unscrupulous tax preparers "share" one client's qualifying children with another client in order to allow both clients to claim the Earned Income Tax Credit. For example, one client may have four children but only needs to list two to get the maximum EITC. The preparer will list two children on the first client's return and the other two on another client's tax return. The preparer and the client "selling" the dependents split a fee. The IRS prosecutes the preparers of such fraudulent claims, and participating taxpayers could be subject to civil penalties.

IRS "Agent" Comes To Your House To Collect. First, do not let anyone into your home unless they identify themselves to your satisfaction. IRS special agents, field auditors and collection officers carry picture IDs and will normally try to contact you before they visit. If you think the person on your doorstep is an impostor, lock your door and call the local police. To report IRS impostors, call the Treasury Inspector General's Hotline at 1-800-366-4484.

If you have any questions about tax offers, check with a reputable tax professional for advice or contact the Tax Commissioner's office at 1-800-638-2901.

The Attorney General's Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at www.ag.state.nd.us.

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